



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Administrative Purchasing Policy and Procedures

MEETING DATE: March 8, 2005

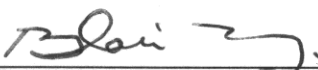
PREPARED BY: City Manager

RECOMMENDED ACTION: That the City Council receive a briefing by the City Manager and staff regarding the City's Purchasing Policy and procedures.

BACKGROUND INFORMATION: The State Government Code Section 54202 (Exhibit A) sets forth that municipalities shall adopt policies and procedures governing purchases of supplies and equipment by the local agency. The City of Lodi's Purchasing Policy is set by City Ordinance and is noted in the Lodi Municipal Code Section 3.20 Purchasing System (Exhibit B). Over the years, the City's Policy and practice have diverged and the Policy is not currently adhered to in the way it was originally intended. Conversely, the Policy is outdated, thereby making the practical application difficult to efficiently conduct City business and procedures have not been regularly reviewed and amended.

Staff will review with Council the current policy and will invite Council Members to engage in a discussion on proposed amendments. The goal of the discussion will be to provide staff with input into an amended Policy which will be brought back to Council for future consideration.

FUNDING: Not Applicable



Blair King, City Manager

BK/sl

Attachments

APPROVED: 

Blair King, City Manager

54201. As used in this article, the term "local agency" means every city, county, city and county, district, or any other local governmental body or corporation empowered to expend public funds for the acquisition of property.

54202. Every local agency shall adopt policies and procedures, including bidding regulations, governing purchases of supplies and equipment by the local agency. Purchases of supplies and equipment by the local agency shall be in accordance with said duly adopted policies and in accordance with all provisions of law governing same.

No policy, procedure, or regulation shall be adopted which is inconsistent or in conflict with statute.

54203. If the local agency is a city, a county, or a city and county, the policies provided for in Section **54202** shall be adopted by ordinance in the manner provided by law or by charter, as the case may be.

54204. If the local agency is other than a city, county, or city and county, the policies provided for in Section **54202** shall be adopted by means of a written rule or regulation, copies of which shall be available for public distribution.

54205. Any local agency may request the Department of General Services to make purchases of materials, equipment, or supplies on its behalf in accordance with Section 10298 of the Public Contract Code.

3.20.010 Purpose.

In order to establish efficient procedures for the purchase of supplies, services and equipment, to secure for the city supplies, services and equipment at the lowest possible cost commensurate with quality needed, to exercise positive financial control over purchases, to clearly define authority for the purchasing function and to assure the quality of purchases, a purchasing system is adopted. (Prior code ? 2-55)

3.20.020 Purchasing officer. Established.

There is created the position of purchasing officer. He shall be appointed by the city manager. The purchasing officer shall be the head and have general supervision of the purchasing department. The duties of the purchasing officer may be combined with those of any other office or position. (Prior code ? 2-56)

3.20.030 Purchasing officer. Powers.

The purchasing officer shall have authority to:

- A. Purchase or contract for supplies, services and equipment required by any using agency in accordance with purchasing procedures prescribed by this chapter, such administrative regulations as the purchasing officer shall adopt for the internal management and operation of the purchasing department and such other rules and regulations as shall be prescribed by the city council or city manager;
- B. Negotiate and recommend execution of contracts for the purchase of supplies, services and equipment;
- C. Act to procure for the city the needed quality in supplies, services and equipment at least expense to the city;
- D. Discourage uniform bidding and endeavor to obtain as full and open competition as possible on all purchases;
- E. Prepare and recommend to the city council rules governing the purchase of supplies, services and equipment for the city;
- F. Prepare and recommend to the city council revisions and amendments to the purchasing rules;
- G. Keep informed of current developments in the field of purchasing, prices, market, conditions and new products;
- H. Prescribe and maintain such forms as reasonably necessary to the operation of this chapter and other rules and regulations;
- I. Supervise the inspection of all supplies, services and equipment purchased to insure conformance with specifications;
- J. Recommend the transfer of surplus or unused supplies and equipment between departments as needed and the sale of all supplies and equipment which cannot be used by any agency or which may become unsuitable for city use;
- K. Maintain a bidders' list, vendors catalog file and records needed for the efficient operation of the purchasing department. (Prior code ? 2-57)

3.20.040 Exemptions from centralized purchasing.

The purchasing officer, with the approval of the city council, may authorize in writing any agency to purchase or contract for specified supplies, services and equipment independently of the purchasing department; but he shall require that such purchases or contracts be made in conformity with the procedures established by this chapter and shall further require periodic reports from the agency on the purchases and contracts made under such written authorization. (Prior code ? 2-58)

3.20.050 Estimates of agency requirements.

All using agencies shall file detailed estimates of their requirements in supplies, services and equipment in such manner, at such time and for such future periods as the purchasing officer prescribes. (Prior code ? 2-59)

3.20.060 Requisitions.

Using agencies shall submit requests for supplies, services and equipment to the purchasing officer by standard requisition forms. (Prior code ? 2-60)

3.20.070 Bidding.

Purchases of supplies, services, equipment and the sale of personal property shall be by bid procedures pursuant to Sections 3.20.100 and 3.20.110. Bidding shall be dispensed with only when an emergency requires that an order be placed with the nearest available source of supply, when the amount involved is less than one hundred dollars, when the commodity can be obtained from only one vendor, or when the city council determines that the purchase or method of purchase would be in the best interests of the city. (Ord. 1399 ? 1, 1987: prior code ? 2-61)

3.20.080 Purchase orders.

Purchases of supplies, services and equipment shall be made only by purchase orders. (Prior code ? 2-62)

3.20.090 Use of unencumbered funds required.

Except in cases of emergency, the purchasing officer shall not issue any purchase order for supplies, services or equipment unless there exists an unencumbered appropriation in the fund account against which the purchase is to be charged. (Prior code ? 2-63)

3.20.100 Formal contract procedure.

The advertisement for bids will be conducted as provided for in the Government Code.

A. Notice Inviting Bids. Notice inviting bids shall include a general description of the articles to be purchased or sold, shall state where bid blanks and specifications may be secured and the time and place for opening bids.

1. Published Notice. Notice inviting bids shall be published at least ten days before the date of opening of the bids. Notice shall be published at least once in a newspaper of general circulation, printed and published in the city, or if there is none, it shall be posted in at least three public places in the city that have been designated by ordinance as the places for posting public notices.

2. Bidders' List. The purchasing officer shall also solicit sealed bids from all responsible prospective suppliers whose names are on the bidders' list or who have requested their names to be added thereto.

3. Bulletin Board. The purchasing officer shall also advertise pending purchases or sales by a notice posted on a public bulletin board in the City Hall.

B. Bidder's Security. When deemed necessary by the purchasing officer, bidder's security may be prescribed in the public notice inviting bids. Bidders shall be entitled to return of bid security; provided, that a successful bidder shall forfeit his bid security upon refusal or failure to execute the contract within ten days after the notice of award of contract has been mailed, unless the city is responsible for the delay. The city council may, on refusal or failure of the successful bidder to execute the contract, award it to the next lowest responsible bidder. Thereafter, if the city council awards the contract to the next lowest bidder, the amount of the lowest bidder's security shall be applied by the city to the difference between the low bid and the second lowest bid, and the surplus, if any, shall be returned to the lowest bidder.

C. Bid Opening Procedure. Sealed bids shall be submitted to the purchasing officer and shall be identified as bids on the envelope. Bids shall be opened in public at the time and place stated in the public notices. A tabulation of all bids received shall be open for public inspection during regular business hours for a period of not less than thirty calendar days after the bid opening.

D. Rejection of Bids. In its discretion, the city council may reject any and all bids presented and readvertise for bids.

E. Award of Contracts. Contracts shall be awarded by the city council to the lowest responsible bidder except as otherwise provided in this chapter. In determining the lowest responsible bidder, considerations shall include but not be limited to such factors as whether any portion of the state sales tax payable on the article which is the subject of the bid will be rebated to the city by reason of awarding such contract to a person or firm domiciled within the city.

F. Tie Bids. If two or more bids received are for the same total amount or unit price, quality and service being equal and if the public interest will not permit the delay of readvertising for bids, the city council may accept the one it chooses or accept the lowest bid made by negotiation with the tie bidders at the time of the bid opening.

G. Performance Bond. The city council shall have authority to require a performance bond before entering a contract in such amount as it shall find reasonably necessary to protect the best interests of the city. If the city council requires a performance bond, the form and amount of the bond shall be described in the bidding documents. (Ord. 1333 ? 1(3)(A, D), 1984; prior code ? 2-64)

3.20.110 Open market procedure.

Purchases of supplies, equipment, contractual services and sales of personal property of an estimated value in the amount of five thousand dollars or less may be made by the purchasing officer in the open market without observing the procedure prescribed by Section 3.20.100:

- A. Minimum Number of Bids. Open market purchases shall, wherever possible, be based on at least three bids, and shall be awarded to the lowest responsible bidder.
- B. Notice Inviting Bids. The purchasing officer shall solicit bids by written requests to prospective vendors, by telephone and by public notice posted on a public bulletin board in the City Hall.
- C. Written Bids. Sealed written bids shall be submitted to the purchasing officer who shall keep a record of all open market orders and bids for a period of one year after the submission of bids or the placing of orders. This record, while so kept, shall be open to public inspection. (Ord. 1549 ?1, 1992; Ord. 1333 ? 1(3)(E), 1984; prior code ? 2-65)

3.20.120 Inspection and testing of purchases.

The purchasing officer shall inspect supplies and equipment delivered, and contractual services performed, to determine their conformance with the specifications set forth in the order or contract. The purchasing officer shall have authority to require chemical and physical tests of samples submitted with bids and samples of deliveries which are necessary to determine their quality and conformance with specifications. (Prior code ? 2-66)

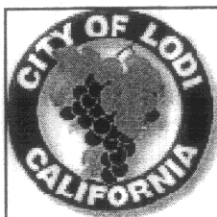
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Purchasing System

Purchasing Policies and Procedures

Presented by City Manager Blair King
March 8, 2005

Purchasing System

- Function of the Finance Department
 - Offices and warehouse located at the MSC
 - 5 full-time employees

Purchasing System

Purchasing Division Functions:

- Supplies, materials, equipment acquisition
- Day-to-day supplies stock
- Delivery
- Inventory management
- Surplus property disposal

Purchasing System

- **State Government Code Section 54202**
- **Lodi Municipal Code Section 3.20**

Purchasing System

Function of Policy and Procedures:

- Control Expenses
- Secure Best Prices / Maximum Value
- Provide Internal Controls
- Allow Flexibility
- Efficiencies

Purchasing System

- **However...** there are problems . . . **Policy vs. Practice**

Best price secured ?

Proper authority ?

Equitable process ?

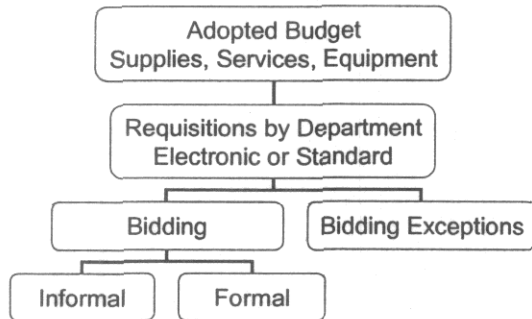
Efficient process ?

Quality assured ?

Checks & Balances ?

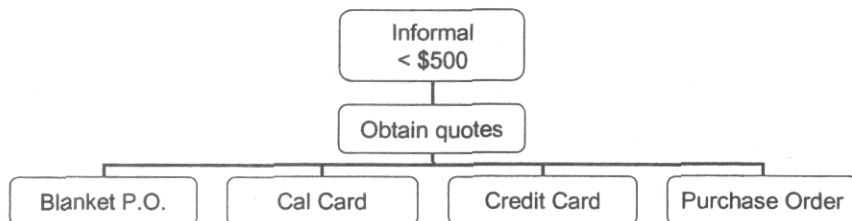
Purchasing System

Recommended Purchasing Procedure



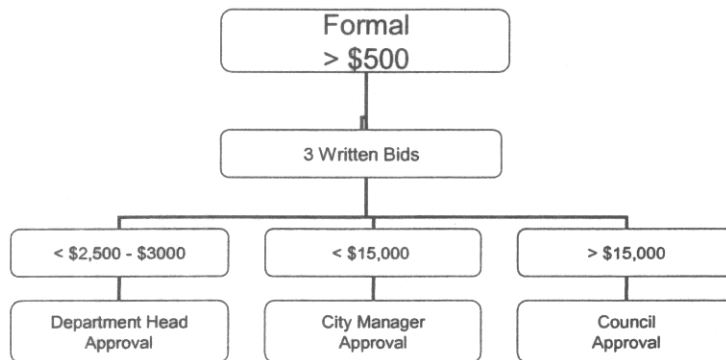
Purchasing System

Informal Bidding Process



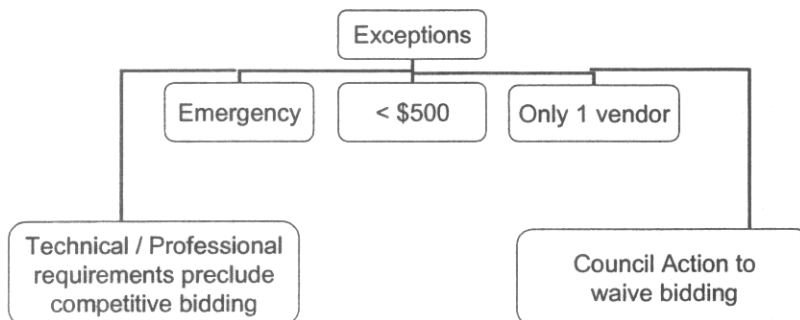
Purchasing System

Formal Bidding Process



Purchasing System

Bidding Exceptions



Purchasing System

What's next?

- Formally develop a proposed policy
- Test-run with departments
- Council presentation
- Ordinance revision
- Develop a Procedures Manual

